

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Croton Township	County Newaygo
Audit Date 3/31/06	Opinion Date 6/13/06	Date Accountant Report Submitted to State: 7/8/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

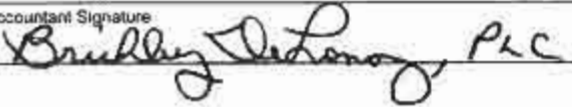
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Brickley DeLong, PLC			
Street Address: 500 Terrace Plaza, P.O. Box 999		City Muskegon	State MI
		ZIP 49443-0999	
Accountant Signature 			Date 7/8/06

Croton Township
Newaygo County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2006

Croton Township

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As management of Croton Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Croton Township for the fiscal year ended March 31, 2006. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

- The General Fund fund balance increased by \$26,004.
- To continue improvements to the fire department, the Township purchased an additional fire truck for \$150,028. In the prior year, a fire truck was purchased \$156,689, of which \$124,200 was funded by a FEMA grant.
- The Township funded multiple road projects during the year. The total amount spent on road improvements during the year was \$211,424. This is a 58 percent increase from the prior year amount of \$133,276.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Croton Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities). The governmental activities of Croton Township include general government, public safety, public works, community and economic development and cultural and recreational activities. The sole business-type activity of the Township is the campground.

Fund Financial Statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Croton Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories- governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Croton Township maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and other major funds. Data from the other funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds

Croton Township has one enterprise fund, a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses an enterprise fund to account for its campground operations. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and other major funds.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for Croton Township. The governmental activities current assets and other assets decreased and the capital assets increased due primarily to the purchase of a new fire truck. Overall net assets increased during the year. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2006, the Township's net assets from governmental activities totaled \$1,850,157 (83%) and \$373,090 (17%) from business-type activities, creating total government-wide net assets of \$2,223,248.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The restricted net assets of \$796,830 represent funds legal restricted for various purposes. The unrestricted net assets for governmental-type activities actually depict net assets of \$304,066. This represents the amount of discretionary resources available for governmental operations.

The business-type activities net assets are comprised of invested in capital assets of \$218,138. This represents the campgrounds' investment in capital assets less depreciation. The balance is unrestricted net assets which can be used for campground operations.

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current assets and						
other assets	\$ 1,106,829	\$ 1,196,102	\$ 172,640	\$ 165,889	\$ 1,279,469	\$ 1,361,991
Capital assets	<u>749,261</u>	<u>629,140</u>	<u>218,138</u>	<u>236,561</u>	<u>967,399</u>	<u>865,701</u>
Total assets	<u>1,856,090</u>	<u>1,825,242</u>	<u>390,778</u>	<u>402,450</u>	<u>2,246,868</u>	<u>2,227,692</u>
Current liabilities	<u>5,933</u>	<u>3,685</u>	<u>17,688</u>	<u>21,123</u>	<u>23,621</u>	<u>24,808</u>
Net assets						
Invested in capital assets	749,261	629,140	218,138	236,561	967,399	865,701
Restricted	796,830	798,519	-	-	796,830	798,519
Unrestricted	<u>304,066</u>	<u>393,898</u>	<u>154,952</u>	<u>144,766</u>	<u>459,018</u>	<u>538,664</u>
Total net assets	<u>\$ 1,850,157</u>	<u>\$ 1,821,557</u>	<u>\$ 373,090</u>	<u>\$ 381,327</u>	<u>\$ 2,223,247</u>	<u>\$ 2,202,884</u>

Governmental Activities

The following table shows that governmental activities increased by \$28,600 (2%) during the year. With all of the Township's governmental operations combined, the net result was that its operating revenues exceeded its operating expenditures, producing the resulting net assets. Capital grants and contributions decreased by \$133,056. The prior year amount included a grant for new fire equipment. There was no similar grant this year. Public safety increased due to an increase in depreciation on the new fire trucks combined with expenditures associated with the planning of the Township's new fire barn. Public works increased due to additional road construction during the year.

Business-type Activities

At the end of the fiscal year, the net assets for business-type activities decreased by \$8,237 or 2%. This is an improvement from the prior year, which decreased by \$32,976. The improvement is due primarily to an increase in charges for services due to better weather along with tighter cost controls.

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues						
Charges for services	\$ 87,942	\$ 85,915	\$ 176,480	\$ 157,442	\$ 264,422	\$ 243,357
Operating grants and contributions	1,403	130	-	-	1,403	130
Capital grants and contributions	7,228	133,056	-	-	7,228	133,056
General revenues						
Property taxes	479,175	452,092	-	-	479,175	452,092
Franchise fees	4,709	1,050	-	-	4,709	1,050
Grants and contributions not restricted	208,884	206,571	-	-	208,884	206,571
Unrestricted investment earnings	23,647	16,931	4,601	2,242	28,248	19,173
Miscellaneous	15,166	7,234	-	-	15,166	7,234
Gain (loss) on sale of capital assets	1,200	550	-	(4,865)	1,200	(4,315)
Total revenues	829,354	903,529	181,081	154,819	1,010,435	1,058,348
Expenses:						
General government	254,797	248,846	-	-	254,797	248,846
Public safety	169,669	105,941	-	-	169,669	105,941
Public works	304,408	209,859	-	-	304,408	209,859
Community and economic development	41,783	56,385	-	-	41,783	56,385
Culture and recreation	30,097	42,885	-	-	30,097	42,885
Campground	-	-	189,318	187,795	189,318	187,795
Total expenses	800,754	663,916	189,318	187,795	990,072	851,711
Change in net assets	28,600	239,613	(8,237)	(32,976)	20,363	206,637
Net assets - Beginning	1,821,557	1,581,944	381,327	414,303	2,202,884	1,996,247
Net assets - Ending	\$ 1,850,157	\$ 1,821,557	\$ 373,090	\$ 381,327	\$ 2,223,247	\$ 2,202,884

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Croton Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Croton Township's governmental funds is to provide information on near-term inflows, outflows and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances, or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2006 fiscal year, Croton Township's governmental funds reported a combined unreserved fund balance of \$1,099,925. This number represents the unreserved fund balance of \$296,084 in the General Fund, \$340,078 in the Road Fund, \$178,835 in Fire Fund, \$248,359 in the Fire Equipment Fund and \$36,569 in other governmental funds. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved fund balance represents discretionary amount available to each individual fund. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders.

The other governmental funds column consists of various funds. The Transfer Fund is the largest fund in that schedule and ended the year with a current year increase in fund balance of \$8,364, which resulted in an end of year fund balance of \$7,011.

Croton Township's proprietary fund provides the same type of information found in the governmental financial statements, but in more detail. Net assets of the Campground Fund decreased by \$8,237. The fund ended the year with a net asset balance of \$373,090. This is financial improvement when compared to the prior year. In the prior year the decrease in net assets was \$32,976.

General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget. The most significant of those is listed below:

- The Township administration budget was increased by \$25,500. This was increased for additional cost expected to be incurred due to an ongoing legal issue.
- The capital outlay budget was increased during the year as it became apparent that the Township would need to purchase a new backhoe.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Property taxes were higher than budget due to underestimated current year property tax revenues.
- Charges for service were over budget due to not budgeting for the property tax administration fees received during the year.
- Investment earnings exceeded the budget due to an increase in interest rates and management changes in investments.
- The assessor was over budget due to unanticipated costs of updating and improving records.
- The board of review was over budget due to an increase in the number of taxpayer inquiries.
- The Township administration was over budget by \$13,048. This was due to unexpected legal fees.
- Other governmental function expenditures were less than budgeted due to inadvertently over estimating anticipated expenditures during the budgeting process.

Capital Assets

Croton Township's investment in capital assets for its governmental and business-type activities as of March 31, 2006 totaled \$967,399 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery, equipment and vehicles. The Township had two significant equipment purchases during the year. The Fire Equipment Fund purchased a new fire truck for approximately \$150,000, and the General Fund purchased a used backhoe for \$10,000.

Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 20,503	\$ 20,503	\$ -	\$ -	\$ 20,503	\$ 20,503
Land improvements	16,555	18,079	-	-	16,555	18,079
Buildings and improvements	123,582	128,226	153,894	160,252	277,476	288,478
Furniture and Equipment	68,071	61,307	64,244	76,309	132,315	137,616
Vehicles	520,550	401,025	-	-	520,550	401,025
Total	<u>\$ 749,261</u>	<u>\$ 629,140</u>	<u>\$ 218,138</u>	<u>\$ 236,561</u>	<u>\$ 967,399</u>	<u>\$ 865,701</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

General Economic Overview

General Fund

The Township adopted a breakeven budget for the year ended March 31, 2007 for the General Fund. The Township's General Fund is comprised of two major revenue sources, state revenue sharing and property taxes. Those two sources comprise approximately 90% of the General Fund revenue sources. In fiscal 2007, state revenue sharing is expected to be flat for the year and property tax revenues are expected to remain the same.

As noted above, the Township receives a significant amount of its revenues from the State of Michigan. The State of Michigan is experiencing significant financial difficulties. These difficulties could result in a decrease in funding from the State of Michigan.

During the year the Township's library agreement expired. The Township Board is pursuing other avenues to provide library services to the community.

The Township is in the planning stages for building a new fire station. The new fire station will be constructed using existing resources along with a bank loan. The funding to repay the loan will come from the fire equipment millage that was renewed during the year for an additional 5 years. The Township hopes to break ground on the new station in the fall of 2006.

Campground

The Township's Board recognized during the budgeting process that the Campground Fund would need additional revenues to stabilize the Fund's finances. As a result, for the fiscal year 2006, the Township's Board approved an increase in the campground rates. The rate increases will not take affect until fiscal year 2007. The Township plans on evaluating the effect of the rate increases, but further rate increases may be necessary.

Requests for Information

This financial report is designed to provide a general overview of Croton Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Croton Township, 5833 E. Division Street, Newaygo, MI 49337, (231) 652-4301.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

June 13, 2006

Township Board
Croton Township
Croton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Croton Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Croton Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Croton Township, as of March 31, 2006, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vii and 22 - 25 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Croton Township's basic financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Croton Township
STATEMENT OF NET ASSETS
March 31, 2006

ASSETS

	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 1,012,625	\$ 182,942	\$ 1,195,567
Internal balances	10,302	(10,302)	-
Due from other governmental units	82,931	-	82,931
Prepaid items	971	-	971
Total current assets	1,106,829	172,640	1,279,469
NONCURRENT ASSETS			
Capital assets, net			
Nondepreciable	20,503	-	20,503
Depreciable	728,758	218,138	946,896
Total noncurrent assets	749,261	218,138	967,399
Total assets	1,856,090	390,778	2,246,868

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable and accrued liabilities	5,933	-	5,933
Deferred revenue	-	17,688	17,688
Total liabilities	5,933	17,688	23,621
NET ASSETS			
Invested in capital assets	749,261	218,138	967,399
Restricted for:			
Fire department operations	178,835	-	178,835
Fire department capital asset purchases	248,359	-	248,359
Road construction and maintenance	340,078	-	340,078
Building inspections	15,176	-	15,176
Boardwalk construction	14,382	-	14,382
Unrestricted	304,066	154,952	459,018
Total net assets	\$ 1,850,157	\$ 373,090	\$ 2,223,247

The accompanying notes are an integral part of this statement.

Croton Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2006

<i>Functions/Programs</i>	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities							
General government	\$ 254,797	\$ 29,866	\$ -	\$ -	\$ (224,931)	\$ -	\$ (224,931)
Public safety	169,669	-	1,353	-	(168,316)	-	(168,316)
Public works	304,408	40,065	50	-	(264,293)	-	(264,293)
Community and economic development	41,783	18,011	-	-	(23,772)	-	(23,772)
Culture and recreation	30,097	-	-	7,228	(22,869)	-	(22,869)
Total governmental activities	800,754	87,942	1,403	7,228	(704,181)	-	(704,181)
Business-type activities							
Campground	189,318	176,480	-	-	-	(12,838)	(12,838)
Total government	\$ 990,072	\$ 264,422	\$ 1,403	\$ 7,228	(704,181)	(12,838)	(717,019)
General revenues							
Property taxes, levied for							
General purposes					116,920	-	116,920
Specific purposes					362,255	-	362,255
Franchise fees					4,709	-	4,709
Grants and contributions not restricted to specific programs					208,884	-	208,884
Unrestricted investment earnings					23,647	4,601	28,248
Miscellaneous					15,166	-	15,166
Gain on sale of capital asset					1,200	-	1,200
Total general revenues					732,781	4,601	737,382
Change in net assets					28,600	(8,237)	20,363
Net assets at April 1, 2005					1,821,557	381,327	2,202,884
Net assets at March 31, 2006					\$ 1,850,157	\$ 373,090	\$ 2,223,247

The accompanying notes are an integral part of this statement.

Croton Township
BALANCE SHEET
 Governmental Funds
 March 31, 2006

	General Fund	Road Fund	Fire Fund	Fire Equipment Fund	Other governmental funds	Total governmental funds
ASSETS						
Cash and investments	\$ 234,132	\$ 321,438	\$ 174,065	\$ 240,008	\$ 42,982	\$ 1,012,625
Due from other funds	21,797	-	-	-	-	21,797
Due from other governmental units	46,088	18,640	9,102	9,101	-	82,931
Prepaid items	971	-	-	-	-	971
Total assets	<u>\$ 302,988</u>	<u>\$ 340,078</u>	<u>\$ 183,167</u>	<u>\$ 249,109</u>	<u>\$ 42,982</u>	<u>\$ 1,118,324</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 5,933	\$ -	\$ -	\$ -	\$ -	\$ 5,933
Due to other funds	<u>-</u>	<u>-</u>	<u>4,332</u>	<u>750</u>	<u>6,413</u>	<u>11,495</u>
Total liabilities	5,933	-	4,332	750	6,413	17,428
Fund balances						
Reserved for prepaid items	971	-	-	-	-	971
Unreserved, undesignated, report in						
General Fund	296,084	-	-	-	-	296,084
Special revenue funds	<u>-</u>	<u>340,078</u>	<u>178,835</u>	<u>248,359</u>	<u>36,569</u>	<u>803,841</u>
Total fund balances	<u>297,055</u>	<u>340,078</u>	<u>178,835</u>	<u>248,359</u>	<u>36,569</u>	<u>1,100,896</u>
Total liabilities and fund balances	<u>\$ 302,988</u>	<u>\$ 340,078</u>	<u>\$ 183,167</u>	<u>\$ 249,109</u>	<u>\$ 42,982</u>	<u>\$ 1,118,324</u>

The accompanying notes are an integral part of this statement.

Croton Township
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
March 31, 2006

Total fund balance—governmental funds	\$ 1,100,896
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 1,378,553	
Accumulated depreciation	<u>(629,292)</u>	<u>749,261</u>

Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>1,850,157</u></u>
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The accompanying notes are an integral part of this statement.

Croton Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended March 31, 2006

	General Fund	Road Fund	Fire Fund	Fire Equipment Fund	Other governmental funds	Total governmental funds
REVENUES						
Property taxes	\$ 116,920	\$ 184,019	\$ 87,320	\$ 90,916	\$ -	\$ 479,175
Licenses and permits	9,067	-	-	-	-	9,067
Intergovernmental revenues						
Federal	-	-	-	124,200	-	124,200
State	208,884	-	-	-	-	208,884
Charges for services	35,109	-	-	-	55,626	90,735
Investment earnings	3,458	9,508	1,998	8,472	211	23,647
Other	15,243	-	978	425	-	16,646
Total revenues	388,681	193,527	90,296	224,013	55,837	952,354
EXPENDITURES						
Current						
General government	208,872	-	-	-	-	208,872
Public safety	-	-	82,249	-	-	82,249
Public works	30,024	211,424	-	-	48,818	290,266
Community and economic development	17,016	-	-	-	28,716	45,732
Culture and recreation	35,045	-	-	-	-	35,045
Other governmental functions	43,571	-	-	-	-	43,571
Capital outlay	11,049	-	326	203,583	182	215,140
Total expenditures	345,577	211,424	82,575	203,583	77,716	920,875
Excess of revenues over (under) expenditures	43,104	(17,897)	7,721	20,430	(21,879)	31,479
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	-	-	-	1,200	-	1,200
Transfers in	-	-	-	-	17,100	17,100
Transfers out	(17,100)	-	-	-	-	(17,100)
Total other financing sources (uses)	(17,100)	-	-	1,200	17,100	1,200
Net change in fund balances	26,004	(17,897)	7,721	21,630	(4,779)	32,679
Fund balances at April 1, 2005	271,051	357,975	171,114	226,729	41,348	1,068,217
Fund balances at March 31, 2006	\$ 297,055	\$ 340,078	\$ 178,835	\$ 248,359	\$ 36,569	\$ 1,100,896

The accompanying notes are an integral part of this statement.

Croton Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
 For the year ended March 31, 2006

Net change in fund balances—total governmental funds	\$	32,679
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Amounts reported for governmental activities in the Statement of Activities are different because:

Revenues reported in the Statement of Activities that does not provide current resources and are not reported as revenue in the governmental funds.		(124,200)
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Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$	(45,007)	
Capital outlay		<u>165,128</u>	<u>120,121</u>
Change in net assets of governmental activities	\$		<u><u>28,600</u></u>

The accompanying notes are an integral part of this statement.

Croton Township
STATEMENT OF NET ASSETS
 Proprietary Fund
 March 31, 2006

ASSETS		Campground Fund
CURRENT ASSETS		
Cash and investments		\$ 182,942
NONCURRENT ASSETS		
Capital assets, net		
Building and improvements		191,804
Furniture and equipments		150,821
Less accumulated depreciation		<u>(124,487)</u>
Net capital assets		<u>218,138</u>
Total assets		401,080
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to other funds		10,302
Deferred revenue		<u>17,688</u>
Total current liabilities		<u>27,990</u>
NET ASSETS		
Invested in capital assets		218,138
Unrestricted		<u>154,952</u>
Total net assets		<u><u>\$ 373,090</u></u>

The accompanying notes are an integral part of this statement.

Croton Township
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 Proprietary Fund
 For the year ended March 31, 2006

	<u>Campground Fund</u>
REVENUES	
Charges for services	\$ 176,480
OPERATING EXPENSES	
Operations	169,395
Depreciation	<u>19,923</u>
Total operating expenses	<u>189,318</u>
Operating loss	(12,838)
NONOPERATING REVENUES	
Investment earnings	<u>4,601</u>
Change in net assets	(8,237)
Net assets at April 1, 2005	<u>381,327</u>
Net assets at March 31, 2006	<u><u>\$ 373,090</u></u>

The accompanying notes are an integral part of this statement.

Croton Township
STATEMENT OF CASH FLOWS
 Proprietary Fund
 For the year ended March 31, 2006

	Campground Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 173,045
Payments to suppliers	(73,006)
Payments to employees	(93,886)
	<u>6,153</u>
Net cash provided by used for operating activities	6,153
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(1,500)
CASH FLOW FROM INVESTING ACTIVITIES	
Investment earnings	4,601
	<u>9,254</u>
Net increase in cash and investments	9,254
Cash and investments at April 1, 2005	<u>173,688</u>
Cash and investments at March 31, 2006	<u><u>\$ 182,942</u></u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (12,838)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	19,923
Change in assets and liabilities	
Due to other funds	2,503
Deferred revenue	(3,435)
	<u>(3,435)</u>
Net cash provided by operating activities	<u><u>\$ 6,153</u></u>

The accompanying notes are an integral part of this statement.

Croton Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
March 31, 2006

	Agency funds
ASSETS	
Cash and investments	\$ <u>5,263</u>
LIABILITIES	
Deposits held for others	\$ <u>5,263</u>

The accompanying notes are an integral part of this statement.

Croton Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Croton Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is a common law township governed by an elected five-member Board. Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Croton Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund is used to improve the roads within the Township.

The Fire Fund is used to finance the operation of the Township's fire department.

The Fire Equipment Fund is used for the maintenance and replacement of the Township's major fire equipment.

The Township reports the following major proprietary fund:

The Campground Fund operates the Township's campground.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for site rental and other services. Operating expenses for proprietary funds include the cost of sales and services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Croton Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following February 15 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 state taxable value for real/personal property of the Township totaled approximately \$100,735,000 on which ad valorem taxes levied consisted of .7745 mills for general operating purposes, .8572 mills for roads, .9070 mills for fire services and .9069 mills for fire equipment. These amounts are recognized in the respective General Fund, Road Fund, Fire Fund and Fire Equipment Fund financial statements.

Croton Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, equipment and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	15-40
Furniture and equipment	5-10
Vehicles	7-20

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Croton Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except capital projects funds. All approval appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township Supervisor submits to the Township Board a proposed operating budget for the year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the last week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

Excess of Expenditures Over Appropriations

For the year ended March 31, 2006, expenditures exceeded appropriations for:

	Amended budget	Actual
General Fund		
Supervisor	\$ 16,100	\$ 16,331
Assessor	24,300	30,489
Board of review	1,600	7,839
Township administration	63,500	76,548
Library	24,000	24,842
Capital outlay	10,000	11,049

Croton Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 March 31, 2006

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006, \$1,081,828 of the Township's bank balance of \$1,296,898 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 20,503	\$ -	\$ -	\$ 20,503
Capital assets, being depreciated:				
Land improvements	36,039	5,100	-	41,139
Buildings and improvements	358,748	-	-	358,748
Furniture and equipment	89,226	10,000	-	99,226
Vehicles	708,909	150,028	-	858,937
Total capital assets, being depreciated	1,192,922	165,128	-	1,358,050

Croton Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE D—CAPITAL ASSETS—Continued

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
Governmental activities:—Continued				
Less accumulated depreciation:				
Land improvements	\$ 17,960	\$ 1,651	\$ -	\$ 19,611
Buildings and improvements	230,522	4,644	-	235,166
Furniture and equipment	27,919	8,209	-	36,128
Vehicles	307,884	30,503	-	338,387
Total accumulated depreciation	584,285	45,007	-	629,292
Total capital assets, being depreciated, net	608,637	120,121	-	728,758
Capital assets, net	\$ 629,140	\$ 120,121	\$ -	\$ 749,261
Business-type activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 191,804	\$ -	\$ -	\$ 191,804
Furniture and equipment	149,321	1,500	-	150,821
Total capital assets, being depreciated	341,125	1,500	-	342,625
Less accumulated depreciation:				
Buildings and improvements	31,552	13,564	-	45,116
Furniture and equipment	73,012	6,359	-	79,371
Total accumulated depreciation	104,564	19,923	-	124,487
Total capital assets, being depreciated, net	\$ 236,561	\$ (18,423)	\$ -	\$ 218,138

Depreciation expense has been charged to functions as follows:

Governmental activities:	
General government	\$ 11,165
Public safety	33,539
Public works	50
Culture and recreation	253
	\$ 45,007

Business-type activities:

Depreciation expense of \$19,923 was charged to the campground.

Croton Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of March 31, 2006 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Boardwalk Fund	\$ 760
General Fund	Fire Fund	4,332
General Fund	Building Department Fund	5,653
General Fund	Fire Equipment Fund	750
General Fund	Campground Fund	10,302
		<u>\$ 21,797</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The General Fund made one transfer to the transfer station to fund operations in the amount of \$17,100.

NOTE F—DEFERRED REVENUE

As of March 31, 2006, the Township's Campground Fund had \$17,688 in deferred revenue. This amount consists primarily of unearned advance payments for the rental of campsites for 2007.

NOTE G—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

Croton Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE H—RETIREMENT PLANS

Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Township employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

Defined Contribution Plan

The Township provides pension benefits for all its full-time employees and certain fire department positions through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Salaried and hourly employees who have attained the age of 21 are eligible to participate in the plan. The Township is required to contribute an amount equal to 10 percent of employee's annual compensation. The Township's contributions for each employee (and earnings allocated to the employee's account) are immediately vested. Any forfeitures are reallocated to participants. Plan provision and contribution requirements are established and may be amended by the Township Board.

For fiscal year end March 31, 2006, the Township's contribution to the defined contribution plan was \$15,169.

NOTE I—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 54 percent of General Fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Croton Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 95,000	\$ 95,000	\$ 116,920	\$ 21,920
Licenses and permits	7,800	7,800	9,067	1,267
Intergovernmental revenues - state	204,000	204,000	208,884	4,884
Charges for services	8,200	8,200	35,109	26,909
Investment earnings	1,032	1,032	3,458	2,426
Other	3,000	3,000	15,243	12,243
Total revenues	319,032	319,032	388,681	69,649
EXPENDITURES				
Current				
General government				
Township board	8,300	10,000	9,893	107
Supervisor	16,100	16,100	16,331	(231)
Assessor	24,300	24,300	30,489	(6,189)
Elections	5,500	5,500	3,805	1,695
Clerk	21,100	21,100	19,609	1,491
Board of review	1,600	1,600	7,839	(6,239)
Treasurer	29,700	29,700	29,041	659
Township administration	38,000	63,500	76,548	(13,048)
Township hall	20,000	20,000	13,179	6,821
Cemetery	9,000	9,000	2,138	6,862
Public works				
Highway and streets	31,000	31,000	30,024	976
Community and economic development				
Planning and zoning	19,550	19,550	17,016	2,534
Culture and recreation				
Library	24,000	24,000	24,842	(842)
Park	13,000	13,000	10,203	2,797
Other governmental functions	96,000	98,700	43,571	55,129
Capital outlay	-	10,000	11,049	(1,049)
Total expenditures	357,150	397,050	345,577	51,473
Excess of revenues over (under) expenditures	(38,118)	(78,018)	43,104	121,122
OTHER FINANCING USES				
Transfers out	14,378	17,100	17,100	-
Net change in fund balance	\$ (52,496)	\$ (95,118)	26,004	\$ 121,122
Fund balance at April 1, 2005			271,051	
Fund balance at March 31, 2006			\$ 297,055	

Croton Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Road Fund
For the year ended March 31, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u></u>
REVENUES				
Property taxes	\$ 165,000	\$ 178,776	\$ 184,019	\$ 5,243
Investment earnings	<u>1,500</u>	<u>1,500</u>	<u>9,508</u>	<u>8,008</u>
Total revenues	166,500	180,276	193,527	13,251
EXPENDITURES				
Current				
Public works	<u>315,500</u>	<u>315,500</u>	<u>211,424</u>	<u>104,076</u>
Net change in fund balance	\$ <u><u>(149,000)</u></u>	\$ <u><u>(135,224)</u></u>	(17,897)	\$ <u><u>117,327</u></u>
Fund balance at April 1, 2005			<u>357,975</u>	
Fund balance at March 31, 2006			<u><u>\$ 340,078</u></u>	

Croton Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Fire Fund
For the year ended March 31, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 86,436	\$ 87,337	\$ 87,320	\$ (17)
Intergovernmental revenues - federal	-	124,000	-	(124,000)
Investment earnings	1,964	1,964	1,998	34
Other	100	100	978	878
Total revenues	88,500	213,401	90,296	(123,105)
EXPENDITURES				
Current				
Public safety	90,400	121,864	82,249	39,615
Capital outlay	-	124,000	326	123,674
Total expenditures	90,400	245,864	82,575	163,289
Net change in fund balance	\$ (1,900)	\$ (32,463)	7,721	\$ 40,184
Fund balance at April 1, 2005			171,114	
Fund balance at March 31, 2006			\$ 178,835	

Croton Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Fire Equipment Fund
For the year ended March 31, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 83,000	\$ 83,000	\$ 90,916	\$ 7,916
Intergovernmental revenues - federal	-	124,000	124,200	200
Investment earnings	3,043	3,043	8,472	5,429
Other	-	-	425	425
Total revenues	86,043	210,043	224,013	13,970
EXPENDITURES				
Capital outlay	52,489	208,989	203,583	5,406
Excess of revenues over (under) expenditures	33,554	1,054	20,430	19,376
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	1,200	1,200
Net change in fund balance	\$ <u>33,554</u>	\$ <u>1,054</u>	21,630	\$ <u>20,576</u>
Fund balance at April 1, 2005			<u>226,729</u>	
Fund balance at March 31, 2006			<u>\$ 248,359</u>	

OTHER SUPPLEMENTAL INFORMATION

Croton Township
COMBINING BALANCE SHEET
 Other Governmental Funds
 March 31, 2006

	Total other governmental funds	Special Revenue		
		Transfer Station	Building Department	Boardwalk
ASSETS				
Cash and investments	\$ 42,982	\$ 7,011	\$ 20,829	\$ 15,142
Total assets	<u>\$ 42,982</u>	<u>\$ 7,011</u>	<u>\$ 20,829</u>	<u>\$ 15,142</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ 6,413	\$ -	\$ 5,653	\$ 760
Fund balances				
Unreserved				
Undesignated	<u>36,569</u>	<u>7,011</u>	<u>15,176</u>	<u>14,382</u>
Total liabilities and fund balances	<u>\$ 42,982</u>	<u>\$ 7,011</u>	<u>\$ 20,829</u>	<u>\$ 15,142</u>

Croton Township
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 Other Governmental Funds
 For the year ended March 31, 2006

	Total other governmental funds	Special Revenue		
		Transfer Station	Building Department	Boardwalk
REVENUES				
Charges for services	\$ 55,626	\$ 40,065	\$ 15,561	\$ -
Investment earnings	211	17	77	117
Total revenues	55,837	40,082	15,638	117
EXPENDITURES				
Current				
Public works	48,818	48,818	-	-
Community and economic development	28,716	-	28,716	-
Capital outlay	182	-	182	-
Total expenditures	77,716	48,818	28,898	-
Excess of revenues over (under) expenditures	(21,879)	(8,736)	(13,260)	117
OTHER FINANCING SOURCES				
Transfers in	17,100	17,100	-	-
Net change in fund balances	(4,779)	8,364	(13,260)	117
Fund balances (deficit) at April 1, 2005	41,348	(1,353)	28,436	14,265
Fund balances at March 31, 2006	\$ 36,569	\$ 7,011	\$ 15,176	\$ 14,382

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

June 13, 2006

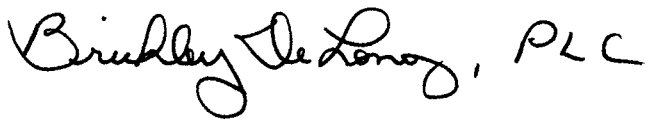
Township Board
Croton Township
Newaygo, Michigan

In planning and performing our audit of the financial statements of Croton Township for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Croton Township's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information of the Township Board, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

REPORTABLE CONDITIONS

Recommendation 1: A formal conflict of interest policy should be established by the Township.

The Township does not have a formal conflict of interest policy. Due to the ever-increasing public scrutiny of local officials and policies, the establishment of a formal conflict of interest policy would assist in clearly defining a framework of policies and guidelines for conducting business.

The annual circularization and signing of conflict of interest statements by Township Board members and administrators would appropriately document the independence of these individuals.

Recommendation 2: Cash receipts summaries should be forwarded to the Township clerk on a timely basis.

During our testing, we noted that cash receipts records are not always forwarded to the Township clerk in a timely fashion.

We recommend that the Township treasurer enter deposits into her cash management system on a timely basis and utilize that program to produce reports on a weekly, bi-weekly or monthly basis for distribution to the Township clerk.

Recommendation 3: Employee retirement plan payments should be allocated monthly.

During our testing, we noted that all retirement plan payments are paid by the General Fund and allocated to the other funds at the end of the year. The allocation of these retirement plan expenditures on an annual basis causes monthly General Fund financial statements to overstate employee retirement plan expenditures and, correspondingly, other funds' monthly financial statements to understate employee retirement expenditures. Further, this condition delays the reimbursement of the General Fund.

Monthly allocations of employee benefit expenditures would increase the accuracy of monthly financial statements and would improve the General Fund's cash flow.

Recommendation 4: Employee time reporting should include allocation of time between departments and funds.

During our testing, we noted that there is not a formal mechanism for employees to report time allocation between the departments and funds. If time not allocated between activities then the associated costs are not properly recorded.

The development and implementation of employee time reporting, which could be a component of the current time card reporting procedures, would provide the essential data for allocating employee compensation and benefits. This allocation of time would provide a clearer picture of the costs associated with individual activities.

We consider the following other reportable conditions contained in our June 28, 2005 letter as still applicable:

Recommendation 1: The Property Tax Collection Fund should distribute all monies owed the General Fund on a timely basis.

Recommendation 2: Interfund liabilities should be paid when funds are available.